

A meeting of the Finance Committee at the Rhode Island Higher Education Assistance Authority was held on Wednesday, February 19, 2014 in the McKenna Conference Room of 560 Jefferson Boulevard, Warwick, Rhode Island, at 8:15 a.m.

Committee Members in attendance:

Ms. Faith LaSalle

Mr. Dennis Duffy

Mr. John Howell

Mr. Daniel Egan

Mr. Robert Delaney

Committee Members absent:

Dr. William Croasdale, Chair

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Also attending:

Ms. Gail Mance-Rios

Mr. Joseph Palumbo, Legal Counsel

Mr. Charles Miller

Mr. Marc Lacroix

Ms. Dana Peterson-Fatuda

Ms. Patia Bertram

Ms. Linda Makhoul

Mr. Tom Pearce

Mr. Blake Collins

Mr. Ben Chandhok

Mr. Steve Strycharz, Council 94

Mr. Chris Lambert, Council 94

1. In the absence of Dr. Croasdale, Ms. LaSalle called the meeting to order at 8:30 a.m.

2. Agency's Plan for Future Funding after the Bipartisan Budget Agreement – Ms. Mance-Rios provided an overview of the consolidate agency revenue and expense projection. Ms. Mance-Rios explained that the four spreadsheets are a breakout of programs with expenses and income. Ms. Mance-Rios stated that the projections from 2014-2018, if we don't make any changes to the agency's structure right now, we can continue to be able to provide the services and tools to Rhode Island educators, students and families thru 2018.

Ms. Mance-Rios stated that in the current situation, we continue to run in the black until 2018. Mr. Duffy asked what is the biggest change from prior projections. Ms. Mance-Rios explained that this is a consolidated view of the agency; the perspective provided in the past was only the guaranty function. The guaranty agency was shouldering the majority of the expenses. When you look at the agency as a whole, you have a positive net revenue.

Mr. Delaney asked which line of business is losing the most amount of money. Ms. Mance-Rios stated the loan division, due to the reduction of collections.

Ms. LaSalle asked if WaytogoRI has the potential to get funding from the CollegeBoundfund, Ms. Mance-Rios stated yes.

Mr. Howell asked what revenue comes into the agency that is not earmarked for programs. Ms. Mance-Rios stated, revenue that is received for % of AUM from our AllianceBernstein, along with the direct purchase commission, those two funding lines goes to the state grant program. The AllianceBernstein contract income is to be used for administration of CollegeBoundfund.

Ms LaSalle asked how much would that be. Ms. Mance-Rios stated about \$320,000. Additional, funding is available from CollegeBoundbaby funds.

Mr. Howell asked how much does it cost to support WaytogoRI. Mr. Lacroix stated, it is under \$1mil this year, but with additional personnel, it jumps to \$1.2 mil in 2015.

Mr. Egan asked, if there is another agency for WaytogoRI to be placed, and Ms. LaSalle asked has there been conversations with RIDE (Rhode Island Department of Education). Ms. Mance-Rios explained that in prior talks, RIDE did not want WaytogoRI. Mr. Egan

stated, WaytogoRI is a value, so the argument to the General Assembly is, there is no other place for WaytogoRI, but with RIHEAA.

Ms. LaSalle asked, when does the XAP contact expire. Ms. Mance-Rios stated in 2016.

Mr. Delaney stated that WaytogoRI data does not belong to RIHEAA. Mr. Egan remarked that could be leverage for contract renewal. Mr. Miller stated that the students own the data, and we are the administrator for them. Mr. Miller also stated that we could convert the data, but it will be at a cost (most likely in the millions). Mr. Delaney stated, we need to make the General Assembly understand the true value of WaytogoRI and that the CollegeBoundfund could be used to support it.

Ms. Mance-Rios reminded the board that the US Department of Education required guaranty agencies in 2005 that they need to become much more involved with college access and college outreach and WaytogoRI is RIHEAA's response. Mr. Duffy asked, if we exit the guaranty agency is that still the case. Ms. Mance-Rios stated that is the discussion happening on Capital Hill right now.

They are looking at developing the different type of funding stream that supports the GA's doing outreach. There aren't any types of agencies doing this type of work in Rhode Island, but RIHEAA.

Ms. Mance-Rios stated that other revenue generating ideas for WaytogoRI are; using the landing page as an awareness campaign to push information to students, the corporate entity will pay for that. Colorado does that now.

- It should be noted that Mr. Egan left the meeting at 9:10 a.m.**

Discussions ensued regarding the powerpoint presentation of the agency projections.

Ms. Lasalle asked, for the purpose of discussions to the House Oversight Committee, could the Guaranty Agency become a full-service model and could the savings be incurred earlier. Ms. Mance-Rios stated yes, but it could take a minimum of six months to implement.

Mr. Duffy asked if a break-down by function under the full service model can be done. Mr. Lacroix stated yes.

Ms. LaSalle asked the board to consider what Ms. Mance-Rios has proposed in order to vote on it at the next board meeting.

Ms. LaSalle asked, what are the benefits of not outsourcing until 2017 and Ms. Mance-Rios to provide the pros and the cons for the next board meeting.

3. Reserves and Agency Recommendations: Ms. LaSalle asked about past conversations regarding giving the scholarship money to juniors and seniors, which encourages them to finish their college experience. Ms. Mance-Rios stated that there are different elements to the restructuring process of the State Grant program. One is; eliminating awards to students attending non-reciprocal states; we only have relationships with seven states. Students attending institutions not in those states will not receive the grant. Also eliminating awards for part-time attendees. We could restructure the formula itself, by using the EFC cut-off, which would affect middle income folks oppose to lower income folks, or we could give a flat grant of \$1,000 until the money runs out. There are many different options.

Mr. Howell stated that for the House Oversight Committee, we need to show that the State Grant must stay and make them understand that \$750 is a value to students.

Ms. LaSalle remarked that our State Grant award is not far off from our neighboring states.

Ms. LaSalle asked for recommendations regarding the Reserves. Mr. Howell stated that he supports an endowment of the reserved funds, Mr. Duffy and Mr. Delaney agreed.

Ms. LaSalle asked Ms. Mance-Rios to provide a report of her

recommendations for an endowment fund.

Mr. Howell left the meeting at 9:20 a.m.

Ms. LaSalle asked for the actual number of money in reserves, and how much do we need to keep in reserves? Ms. Mance-Rios stated that the federal government expects the agency to keep on-hand enough funding to support the guaranty agency.

Mr. Delaney stated that when we create an endowment, the House Oversight Committee should be aware that it not only helps student education, but also helps build economic development.

Ms. LaSalle asked, how much can we really allocate to an endowment. Mr. Lacroix will provide this to Ms. LaSalle at the next meeting.

There being no further business to come before the Committee, meeting adjourned at 9:30 a.m.